

Handout 1

OMB Circular A-110

____.53 Retention and access requirements for records.

(e) The Federal awarding agency, the Inspector General, Comptroller General of the United States, or any of their duly authorized representatives, have the right of timely and unrestricted access to any books, documents, papers, or other records of recipients that are pertinent to the awards, in order to make audits, examinations, excerpts, transcripts and copies of such documents. This right also includes timely and reasonable access to a recipient's personnel for the purpose of interview and discussion related to such documents. The rights of access in this paragraph are not limited to the required retention period, but shall last as long as records are retained.

So what is pertinent? OEO defines “pertinent” as all records as they relate to the financial situation / status of the Agency as well as all OEO programmatic files and information prepared and provided to the Board.

Handout 2

OMB Circular A-110

____.24 Program income.

(a) Federal awarding agencies shall apply the standards set forth in this section in requiring recipient organizations to account for program income related to projects financed in whole or in part with Federal funds.

(b) Except as provided in paragraph (h) below, program income earned during the project period shall be retained by the recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following.

(1) Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.

(2) Used to finance the non-Federal share of the project or program.

(3) Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

(e) Unless Federal awarding agency regulations or the terms and conditions of the award provide otherwise, recipients shall have no obligation to the Federal Government regarding program income earned after the end of the project period.

The OEO Fiscal Manual States:

Program Income:

Note from OMB Circular A-110: Subpart C: Program Income: To ensure that the application of appropriate procedural processes and to maintain the integrity of grant funds, the following procedures will pertain to the standards set forth in the OMB Circular A-110 for program income related to projects financed in whole or in part with Federal funds. Program Income earned shall be retained and added to the funds committed to the project or program and used to further eligible project or program objectives. OEO will sample program income to ensure revenue is properly recorded and supported with adequate documentation and in compliance with OEO procedures, grant agreement, budget and FSR requirements. As such, program income is to be identified in the chart of accounts and the trial balance. Program income and related approved expenditures are to be reported in the appropriate section of the FSR. See section IV: B General Procurement.

Moreover, per the Department of Energy (DOE) Weatherization Program Notice 07-1, section 1.6 – Program Income, income generated **MUST** be used to complete dwelling units in accordance with DOE Rules. This should be incorporated in the appropriate section of the updated WAP Budget (Budget Narrative Only).

V. Audit

Disallowance of Expenditures Reimbursed by OEO (incorporated on 11/3/08)

As grantor of the grants received by OEO and administered to the CAP Agencies, the OEO is responsible for the assurance that subrecipients comply with all federal regulations. In regards to ensuring subrecipients do not charge expenditures for disallowed costs and activities (see OMB Circular A-87 and the grant award for information regarding disallowed cost and activities), OEO reserves the right for the Audit division to disallow cost during an audit that are not originally disallowed during the reimbursement of expenditures process if payment of such expenditures is in direct violation of the rules and regulations of the grant. Further, it is the Agency's responsibility to ensure all cost and activities are allowable under the grant award prior to submission to the OEO for reimbursement. OEO does not assume responsibility or liability for charges erroneously made by Agencies that are disallowable.

IV. Reports and Records: (revised 11/3/08)

A. Financial Status Reports (FSR's): *(formerly 04-01)* All FSR's are to be submitted to the OEO Business Manager in the OEO Fiscal Division by the 15th of the month following the reporting period. **All** FSR's submitted to OEO must be signed. When the report is projected to be submitted late to OEO agencies may email the FSR to OEO so that the FSR is submitted in a timely manner. We still ask that agencies having to email the FSR's to OEO still submit a signed hardcopy of all reports regardless if the report has already been emailed. Signed hardcopies with attached accounting system generated Trial Balance will be required to accompany the **last month's FSR and the Final (Closeout) FSR. The reports provided must clearly reflect** the balance represented on the FSR.

Asset Rules and Regulations: *(formerly F03-05) (Revised 11/3/08)*

These procedures have been developed to assist the subgrantees in establishing proper procedures for obtaining effective internal control and record maintenance for assets (capitalized (fixed) and non-capitalized assets) purchased with OEO funds. The agency must be able to account for all property whether sold or traded, in compliance with the terms and conditions stipulated in the OEO Grant Agreement and OMB A-110: Subpart C: Property Standards.

1. Definitions:

- a. Fixed Asset: Tangible and intangible nonexpendable property having a useful life of more than one year (e.g. equipment, machinery, automobiles, furniture, real property) OMB Circular A-110: Subpart A: Definitions and, for OEO purposes, that has an acquisition cost equal to or greater than the lesser of \$5,000 or the subgrantee's capitalization policy threshold.
- b. Capital Expenditure: The acquisition cost of equipment or expenditures for capital improvements that materially increase the asset's value or useful life. OMB Circular A-122: Attachment B: Equipment and Other Capital Expenditures.
- c. Acquisition Cost: The net invoice price plus any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable. Taxes, transit insurance, freight and installation may be included or excluded in accordance with the subgrantee's capitalization policy. OMB Circular A-122: Attachment B: Equipment and Other Capital Expenditures.

2. Assets Management Standards:

Titles shall vest with the subgrantee on the condition the subgrantee uses the assets for the authorized purpose of the project as long as is needed. In compliance with the OEO grant agreement, subgrantee management systems shall provide for effective control over and accountability for all funds, property and other assets. The subgrantee shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

Adequate written procedures must be in place to determine the reasonableness, allocability and allowability of costs and to guard against loss, damage and theft. Loss, damage and/or theft are to be reported immediately to the OEO (OEO notification applies to fixed assets only). OMB Circular A-110: Subpart C: Standard for Financial Management Systems, and Equipment.

3. Procurement:

Subgrantee shall establish procurement procedures in accordance with OEO procurement procedures as well as written standards for code of conduct for employees, officers and agents and standards that allow for competition in accordance with OMB Circular A-110: Subpart C: Procurement Standards.

4. Insurance Coverage: The subgrantee shall provide adequate insurance coverage for all assets acquired with Federal funds in compliance with OMB Circular A-110: Subpart C: Insurance Coverage, and as outlined in OEO procurement procedures. The subgrantee shall terminate insurance coverage once the agency has properly disposed of the insured assets in accordance with OEO surplus property and equipment disposal procedures.

5. Other Use: In accordance with OMB Circular A-110: Subpart C: Equipment - A subgrantee may make all assets available for use to other projects that have purposes consistent with those authorized by the subgrantee. Within an agency, preference shall be given first to other OEO sponsored projects/programs, then to other federally funded programs and lastly to non-federal programs whose purpose is consistent with those authorized by the subgrantee. Other CAAs and Non-federal programs/organizations shall be charged a fee equal to that charged by private companies for similar services. These fees are to be charged as “other program income” and accounted for separately from OEO disbursed “grant revenue” on financial records. This revenue is to be returned and used solely for the OEO program for which the equipment/property was initially purchased.

6. Disposition: Procedures for Surplus Property and Equipment Disposal and OMB Circular A-110: Subpart C: Equipment. Be mindful that the subgrantee must obtain OEO’s written approval prior to the sale of or use of the assets for trade-in and prior to transferring asset(s) to other federally sponsored programs (approval applies to fixed assets only). If the agency obtains OEO’s authorization to sell, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return. For all non-capitalized assets, the Agency may perform sales and disposals without OEO notification. Sales procedures for these assets shall also be established to provide for fair competition to the extent practicable and result in the highest possible return.

7. Asset / Inventory Records: The agency must maintain records to verify the existence and current utilization of all OEO-funded assets for all periods in which the asset is in use and to account for all assets sold or traded-in in compliance with the OEO grant agreement and OMB Circular A-110: Subpart C: Equipment. Records shall be retained in compliance with OMB Circular A-110: Subpart C: Retention access requirements for records. The

subgrantee must ensure that asset records contain the following information: asset description, serial and model number, acquisition date and cost, depreciation method and useful life (for fixed assets), asset location, condition, and disposal date and revenue generated from said disposal, in compliance with OMB Circular A-110: Subpart C: Equipment. Assets are to be capitalized according to OMB Circular A-122: Attachment B: Equipment and other Capital Expenditures and the agency's capitalization policy. In accordance with OEO procedures, based in part on OMB Circular A-110: Subpart C: Equipment, the agency shall conduct an annual physical review of capitalized (fixed) assets and document asset locations and conditions as of the end of the agency fiscal year. OEO also realizes that there are some assets that are not capitalized and expended in the current period that the Agency must track and monitor (E.G. computers, printers, office furniture, and tools) that are not capitalizable in order to prevent waste and abuse of said assets. In order to establish a limit to classify these non-capitalized assets for presentation on the inventory listing of the Agency, OEO requires that all OEO assets with an acquisition value of \$500 or greater be included on the inventory listing unless the Agency's policies and procedures require a lower limit. The document shall be compared to the asset listing produced by the external auditor (at agency's fiscal year end) (for fixed assets only). Any differences shall be documented and explained in the agency's fixed asset reconciliation. OEO reserves the right to inspect non-capitalized assets on this listing to ensure the listing's accuracy. Differences could result from asset purchases or disposals transacted after the agency's fiscal year end. OEO audit will require the following supporting documents:

- Copy of asset listing produced by external audit
- Copy of documented asset locations and conditions
- Asset reconciliation sheet
- Documents to support asset purchases
- Documents to support asset disposals

OEO requests that a copy of this listing be submitted annually with audit report of the external auditor. Submission of this report and the audit report should be made to the attention of the Senior Audit Manager.

8. Depreciation: Depreciation is a cost allocation that represents the physical deterioration of property due to age, wear or market conditions. Depreciation computation shall be based on the asset's acquisition cost (invoice price) and directly attributable costs necessary to bring the asset

into working condition. Adequate depreciation records must be maintained indicating the amount of depreciation taken each period and the total amount of accumulated depreciation (OMB Circular A-122: Attachment B-11).

9. Assets Provided by OEO: Assets purchased and provided by OEO to subrecipients should be treated as property of the Agency; however, title to property is vested with the State. The Agency is responsible for all up keep and maintenance of property while in their possession. Should the Agency no longer need the equipment or wish to dispose of it, OEO requires that the asset be returned so that the OEO may dispose of the property as deemed necessary. All assets provided by OEO should be included on the inventory listing regardless of the value of the asset. OEO will audit the inventory sheets as they are submitted annually to ensure all OEO provided assets are included on the listing.

Interest Income: *(formerly F12-01)(Revised 11/3/08)*

In accordance with the guidance provided by the Federal grantors of OEO funded grants, that funds received on advance from OEO and placed in an interest bearing account will follow the following procedures regarding the monitoring, reporting, and use of interest:

- 1) There will be NO remittance of interest income as part of the program year closeout or any other period of time within OEO administered grants.
- 2) Interest earned on all OEO administered grant funds may be retained by the agency. OEO will allow the first \$250 of interest earned to be retained for administrative purposes of tracking and reporting interest earned and for off-setting bank charges. All interest earned over \$250 is required to be used to provide further client assistance for the grant to which the interest is attributable.
- 3) All interest shall be tracked in accounts separate from OEO grant funds and other program income.
- 4) The Agency shall report interest income on the final FSR in the same manner as program income.
- 5) The Audit division reserves the right to audit interest revenue and subsequent expenditure of interest to ensure compliance.

Implementation

Because members of tripartite boards have "fiduciary" responsibility for the overall operation of private, non-profit community action agencies and statutorily described "advisory" responsibilities in public agencies, members are expected to carry out their duties as any "reasonably prudent person" would do. At a minimum, CAPLAW suggests that this would require:

1. Regular attendance at board and committee meetings;
2. Thorough familiarity with core agency information, such as the agency's bylaws, articles of incorporation, sources of funding, agency goals and programs, Federal and State CSBG statutes;
3. Careful review of materials provided to board members;
4. Decision-making based on sufficient information;
5. Ensuring that proper fiscal systems and controls, as well as a legal compliance system, are in place; and
6. Knowledge of all major actions taken by the agency.

Two aspects of the requirements described by CAPLAW above warrant further discussion – board oversight of agency programs and board oversight of fiscal controls:

- **Agency Program Implementation** - Boards are encouraged to stay informed of agency programs and activities throughout the year, and to receive periodic reports from agency staff that focus on progress toward achieving milestones and ultimate results among clients and communities being served. Timely board awareness of program implementation progress allows for possible reassessment of performance expectations or program realignments should the need arise.

Board members are also encouraged to help the agency establish and maintain working relationships, or partnerships, with other public and private agencies and programs in the community that can help achieve community action results. For example:

1. Members that are either elected officials or that represent elected officials may identify public resources and programs that could contribute to client or community outcomes and facilitate communication and coordination between the community action agency and the public program;
2. Members that represent critical community interests, such as commercial or financial institutions, may help identify possible sources of support for the agency's low-income clients, including employment opportunities, asset formation assistance, or access to other financial services;
3. All members of the tripartite board may be enlisted in an agency's advocacy efforts to increase or preserve needed services and programs in the community that support greater self-sufficiency among low-income families.

- **Fiscal Controls** - Because tripartite boards of private, non-profit agencies are ultimately responsible for assuring that agency funds are spent and accounted for in accordance with all applicable federal, state, and local statutes and regulations, boards must make sure that fiscal controls and procedures are put in place and maintained by the agency that provide for:

1. Trained and qualified staff to manage fiscal accounts and records of the agency on a day-to-day basis;
2. Commonly accepted financial procedures for transactions, recordkeeping, and reporting such as those required by the CSBG Act, Part 74 of the Code of Federal Regulations, and OMB Circular 133;
3. Frequent reports to the board by agency fiscal staff on overall agency fiscal status, procedures, practices, and transactions;
4. Required board review and prior approval of all "substantial" agency fiscal transactions or commitments, as defined by statute or agency bylaws; and
5. Audits and audit reports to the board by a CPA firm independent of board member or agency staff association.